

Sixteenth meeting of the Standing Committee on Finance Bonn, Germany, 18 – 21 September 2017

Background paper on measurement, reporting and verification of support beyond the biennial assessment and overview of climate finance flows

Expected actions by the Standing Committee on Finance

The Standing Committee on Finance (SCF) will be invited to consider extending the 2016–2017 workplan on measurement, reporting and verification (MRV) of support beyond the biennial assessment and overview of climate finance flows (BA).

I. Possible actions for consideration by the SCF

1. The SCF may wish to consider extending the 2016–2017 workplan on measurement, reporting and verification (MRV) of support beyond the biennial assessment and overview of climate finance flows (BA). In its deliberations, the SCF may wish consider, *inter alia*, the following:
 - (a) The ongoing work on the development of modalities for the accounting of financial resources provided and mobilized through public interventions under the Subsidiary Body for Scientific and Technological Advice (SBSTA), as well as the work on the development of modalities, procedures and guidelines of the transparency framework for action and support under the Ad-hoc Working Group on the Paris Agreement (APA); and
 - (b) Ongoing work outside the Convention related to MRV of support: the representatives of relevant institutions will give oral updates during the meeting on work ongoing outside the Convention related to the MRV of support.
2. In light of ongoing work as referred to in paragraph 1 (a) and (b) above as well as the key findings and recommendations by the SCF on 2016 BA¹, the SCF may wish to consider the following non-exhaustive options:
 - (a) Identifying opportunities for sharing lessons learned to date and expertise in the areas of transparency of finance with these ongoing processes; and
 - (b) Discussing the feasibility of activities related to the transparency and consistency in quantitative and qualitative reporting of capacity-building support provided to developing countries in the context of the existing arrangements of MRV of support. Annex I includes preliminary general observations based on an initial desktop research of reporting on capacity-building support provided in the context of MRV of support within and outside of the Convention undertaken by the secretariat.
 - (c) Moving forward, the SCF may wish to consider any other requests or guidance from the COP or APA, in line with its functions and decision 2/CP.17, paragraph 121, 121 (b) and 121 (f), decision 1/CP.21, paragraph 63.

II. Background

3. At COP 19 and COP 20, Parties invited the SCF to consider ways to increase its work on MRV of support beyond the BA in accordance with its workplan.
4. In 2015, the SCF developed a two-year workplan (2016–2017) to enable improved MRV of support under the Convention.²

¹ As contained in the annex to decision 8/CP.22.

² As contained in FCCC/CP/2015/8, annex VII.



5. COP 21 and COP 22 have emphasised cooperation with relevant stakeholders and experts as well as consideration to ongoing work under the Convention in the context of the workplan.³
 6. As part of the Paris Agreement, Article 13 established an enhanced transparency framework for action and support, with built-in flexibility which takes into account Parties' different capacities and builds upon collective experience. Other provisions and mandates of relevance include, inter alia, Article 9, paragraph 7 of the Agreement and decision 1/CP.21, paragraphs 57 and 91. An overview of provisions relating to MRV of support arising from the Paris Agreement and decision 1/CP.21 is contained in document SCF/2016/12/7.
 7. In its report to COP 22, the SCF indicated that it will continue to undertake work on MRV of support beyond the BA on the basis of its 2016–2017 workplan, including considerations related to measurement and verification, taking into account the recommendations from the 2016 BA as well as relevant decisions at COP 22.
 8. The Committee, at its fifteenth meeting, agreed that the Co-Chairs and co-facilitators for this agenda item would initiate consultations with the Chairs of the Subsidiary Body for Scientific and Technological Advice (SBSTA) and the Ad Hoc Working Group on the Paris Agreement (APA), with a view to providing technical input to the ongoing work under these bodies on transparency of support. Subsequently, the co-facilitators, with the support of the secretariat, identified and provided information from the 2016 biennial assessment and overview of climate finance flows to the APA item 5 intersessional workshop that took place on 16–18 March in Bonn, Germany.
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³ Decisions 6/CP.21, paragraph 4 and 8/CP.22, paragraph 5.

Annex

Preliminary general observations based on an initial desktop research of reporting on capacity-building support provided in the context of MRV of support within and outside of the Convention

The secretariat has undertaken a desktop research of reporting of capacity-building activities within and outside of the Convention. The following are general observations and are subject to further research.

- Developments related to reporting on capacity-building under the UNFCCC: Most decisions on capacity-building refer back to decision 2/COP 7 that created a framework for capacity-building in developing countries.
 - Three comprehensive reviews have been conducted on the implementation of the capacity-building framework that was agreed upon in 2001. The first review in 2004 found significant gaps in the support for capacity-building but reaffirmed the scope of capacity-building needs contained in Decision 2/CP.7. A second review was concluded in Durban in 2011; and a third in 2016. These reviews highlighted the lack of standardization globally in reporting on capacity-building, and that Parties seldom use the capacity-building framework for reporting under the UNFCCC. The third review also highlighted that capacity-building activities are now being implemented and reported in areas outside of the framework, such as REDD+, loss and damage, readiness for and access to climate finance, NAMAs, nationally determined contributions and transparency
 - In 2009, capacity-building was introduced in the Ad hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA) negotiating process. This marked the start of negotiations that ultimately resulted in the establishment of the Durban Forum on Capacity-building in 2011. The Forum is an annual, in-session event to share experiences and exchange ideas, best practices and lessons learned regarding the implementation of capacity-building activities. Since its inception, the Forum has met six times and discussed a range of topics including ways to enhance the implementation of capacity-building, capacity-building related to Nationally Determined Contributions (NDCs), capacity needs for accessing financial resources, and for reporting under the Paris Agreement⁴.
 - Most recently, capacity-building has been highlighted as an important issue within the Paris Agreement. Article 11 of the Paris Agreement outlines goals, guiding principles, and procedural obligations of Parties including reporting on capacity-building activities (Article 11.4), and enhancing the support for capacity-building (Article 11.3). The Agreement also establishes the Paris Committee on Capacity-building (PCCB) and creates a work plan for the Committee including: improving coordination, identifying capacity gaps, and identifying opportunities to strengthen capacity in developing countries. The 44th meeting of the Subsidiary Body for Implementation (SBI 44) agreed in May 2016 on a 12-member committee for the PCCB, along with a draft terms of reference for the committee. Article 13 of the Paris Agreement establishes an enhanced transparency framework for action and support, and Decision 1/CP.21 establishes a Capacity-building Initiative for Transparency (CIT) to build the institutional and technical capacity of developing country Parties, in order to meet the requirements of Article 13.
 - The Subsidiary Body for Scientific and Technological Advice (SBSTA), at its 46th session, made progress in the work on the modalities for the accounting of financial resources provided and mobilized through public interventions in accordance with Article 9, paragraph 7, of the Paris

⁴ The outcomes and presentations of the Durban Forum on Capacity-building are available at: <<http://unfccc.int/7486.php>>

Agreement. The progress is captured in an informal note by the co-chairs of the agenda item⁵. The informal note identifies to possible elements related to reporting on capacity-building:

- (i) Tagging of activities that have a capacity-building and technology transfer component to facilitate better tracking and avoid double counting according to built-in option as additional potential consideration; and
 - (ii) Need for further discussions on the boundaries of tracking mobilized finance through public interventions, (e.g. direct mobilization, indirect mobilization, transformational impact/enabling environments, capacity-building, technology transfer and public policies).
- Ad hoc working Group on the Paris Agreement, at its third part of the first session, continued its work on the development of modalities, procedures, and guidelines (MPGs) for the transparency framework for action and support. The views expressed by Parties on MPGs pertaining to transparency of support – including on capacity-building support provided, needed, and received – are included in an informal note⁶.
- Definitions for capacity-building are unclear: While there is general support and agreement on the importance of capacity-building activities in developing countries, definitions of capacity-building – both within and outside of the UNFCCC – remain general. In addition, there is an unclear distinction between technology transfer and development, and capacity-building. This has led to a lack of clarity and understanding of capacity-building both within and across these categories.
 - Reporting of capacity-building under the Convention: Reporting of capacity-building through the Biennial Report's Common Tabular Format appears inconsistent: There is lack of comparability and consistency across Parties' reporting on the provision of capacity-building support. In some cases, there is duplicated data on capacity-building across Tables 7 (public financial support), Table 8 (technology development and transfer support)) and Table 9 (capacity-building support) and others do not report on activities that are referred to in Table 9. This may either lead to double counting or under counting of support for capacity-building.
 - Reporting of capacity-building outside of the Convention: Reporting systems outside of the Convention – such as the OECD DAC CRS and MDB climate finance reports – have not been designed to identify and report capacity-building as stand-alone, quantifiable activities separate from other forms of climate finance. While the existing reporting systems aim to capture some information on capacity-building activities, the use of codes or labels to capture these activities is not complete and inconsistent across reporting frameworks.
 - Where discernable, capacity-building appears a component in the activities reported in the context of support provided to developing countries: It is often difficult to separate capacity-building from other financial flows. Capacity-building is often considered as integral component of most project activities reported under different reporting systems, which represents a challenge in quantifying how much finance is flowing to support the capacity-building needs of developing countries.

⁵ Available at <http://unfccc.int/files/meetings/bonn_may_2017/in-session/application/pdf/sbsta_11_informal_note.pdf>.

⁶ Available at <http://unfccc.int/files/meetings/bonn_may_2017/in-session/application/pdf/apa2017_i5_informal_note_by_the_co-facilitators_.pdf>.